



# Bank Notes

## A Newsletter for Michigan Lenders

January 12, 2006

Issue 137

### FY 2006 First Quarter Lending Report

After the first three months of FY 2006, Michigan is on pace to set another record for 504 loans. However, our streak of four consecutive years of new records in the 7(a) program may be in jeopardy. Compared to the agency as a whole, our .4% increase in 7(a) loans compares to an 11% decrease nationally, while our 43% increase in 504 loans compares to a 27% increase nationally. Loans to businesses owned by veterans and women are listed below to call your attention to two areas in which we are well below last year's accomplishments. We greatly appreciate your continuing support of SBA's guaranty loan programs.

|                   | FY 2005       | FY 2006      | Increase |
|-------------------|---------------|--------------|----------|
| 7(a) Loans        | 686           | 689          | .4%      |
| 504 Loans         | 44            | 63           | 43%      |
| 7(a) Dollars      | \$115,683,000 | \$96,292,000 | -17%     |
| 504 Dollars       | \$23,311,000  | \$33,740,000 | 45%      |
| Loans to Veterans | 55            | 42           | -24%     |
| Loans to Women    | 154           | 123          | -20%     |

### 2006 Michigan Lenders' Conference

SBA's 8th Annual Michigan Lenders' Conference will be held March 8, 2006, at the Kellogg Center at Michigan State University in East Lansing. Cosponsored by the Michigan Small Business and Technology Development Center, the conference will feature training sessions on a wide range of topics for a variety of bank personnel.

Several awards, including the coveted "SBA Lender of the Year," will be presented during lunch. Brochures and registration materials will be sent out in February.

### Loan Goals

Like you, SBA has goals, and we will appreciate your help in attaining our's by doing the following:

Ask every loan applicant, man or woman, if they are a veteran. Unfortunately, at the end of the first quarter we were 40% below goal in the number of SBA loans to veterans.

Record properly all minority and women-owned businesses. In comparison to last year, we are recording 20% fewer loans to women-owned businesses this year.

Record whether a business exports any of its goods or services - this includes doing business in Canada.

Remember that an existing business is one that has been in business more than 24 months. A change of ownership does not affect this. A "start-up" has been a business for no more than 24 months.

### Annual Report

The FY 2005 Annual Report for the Michigan District Office, which provides information and data on our lending programs and other activities, is now available. Please visit our Web site at <http://www.sba.gov/mi/news.html>.

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### SBA's 504 Loan Program - Fixed Asset Financing

SBA's 504 Loan Program provides long-term, fixed rate, subordinated financing for acquisition and/or renovation of capital assets, including land, buildings and equipment.

Often a growing business needs funds to purchase a building or new equipment, but cannot afford the down payment it would need for traditional financing. The 504 program provides small businesses with the same lower-cost, fixed rate financing big businesses receive through the bond market. Advantages to the borrower include:

- lower down payment and the ability to finance the soft costs
- below market, fixed-rate financing
- longer terms than are generally available through a commercial lender

Most Michigan businesses would be eligible for this loan program. While the 504 Loan Program defines a business as small if its net worth is under \$7 million and net profits after taxes are under \$2.5 million, businesses may also qualify under our 7(a) size standards. For example, any manufacturer with less than 500 employees would be eligible, and there are many industries where SBA has set a higher number. Almost any type of small business is eligible for 504 financing, including manufacturing, wholesale, service, professional service, or retail.

Administered by Certified Development Companies (CDCs), this program provides not only financial assistance but also serves as an economic development tool that supports local small business growth and job creation. CDCs are local non-profit groups licensed by SBA.

With 504 financing, the typical financial structure consists of 10% from the borrower, 50% from the commercial lender and 40% from the CDC (provided by 100% SBA guaranteed debentures). Current 504 interest rates are 6.39% on 20 year and 6.6% on 10 year debentures.

504 is different from our 7(a) program in several ways:

- three parties involved in financing - borrower, lender and CDC/SBA.
- as an economic development tool, it has a job creation/retention component.
- collateral is typically limited to the assets being financed.

504 provides numerous benefits for the commercial lender, including:

- reduced risk by financing a smaller portion of the project, which is secured by a senior lien
- ability to finance larger projects
- maintain customer relationship by providing more financing options
- stimulate local economy through job creation
- receive CRA credit
- save time - no SBA paperwork required for the lender as the CDC packages the credit

For more information, please contact one of the CDCs listed on the right. These organizations specialize in packaging 504 loans and will manage the entire process to make sure it goes smoothly.

### New Bank Notes Distribution

To receive future issues of Bank Notes, you will need to subscribe through SBA's Free Newsletter and Publication Subscription Center.

The process is easy. Simply go to Web page <http://web.sba.gov/list/>; then scroll down and check the box entitled "Michigan Bank Notes Newsletter." Then scroll down and enter your name and e-mail address at the bottom of the page and hit the "Subscribe" button.

We appreciate your cooperation.

### Michigan Certified Development Companies

#### **Economic Dev. Foundation-Certified**

1345 Monroe, NW, Suite 132  
Grand Rapids, Michigan 49505  
P (616) 459-4825

#### **Growth Finance Corporation**

204 E. Edgerton, PO Box 501  
Howard City, Michigan 49329-0501  
P (231) 937-7429

#### **Lakeshore 504 - South Office**

272 East 8th Street  
Holland, Michigan 49423  
P (616) 392-9633

#### **Lakeshore 504 - North Office**

One South Harbor Drive  
Grand Haven, Michigan 49417  
P (616) 842-3153

#### **Metropolitan Growth and Development Corporation**

600 Randolph Street, Third Floor  
Detroit, Michigan 48226  
P (313) 224-0820

#### **Michigan Certified Development Corporation**

912 Centennial Way, Suite 300  
Lansing, Michigan 48917  
P (517) 886-6612

#### **Oakland County Business Finance Corporation**

1200 N. Telegraph  
Executive Office Building  
Pontiac, Michigan 48341  
P (248) 858-0879

#### **SEM Resource Capital**

17177 N. Laurel Park Drive, Suite 360  
Livonia, Michigan 48152  
P (734) 464-4418

#### **SEM Resource Capital**

170 College Avenue, Suite 260  
Holland, Michigan 49423  
P (616) 396-8591